

Financial Reports

AMERICAN LEADERSHIP ACADEMY, INC.
Mesa, Arizona
FINANCIAL STATEMENTS

Year Ended June 30, 2021

AMERICAN LEADERSHIP ACADEMY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
American Leadership Academy, Inc
Mesa, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of American Leadership Academy, Inc (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Leadership Academy, Inc as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Debt Covenant Ratio and Days Cash on Hand is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2021, on our consideration of American Leadership Academy, Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering American Leadership Academy, Inc's internal control over financial reporting and compliance.

Henry + Horne, LLP

Tempe, Arizona
October 18, 2021

AMERICAN LEADERSHIP ACADEMY, INC
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 14,733,679
Restricted cash and cash equivalents	21,843,791
Accounts receivable	14,758
Due from governments	997,718
Prepaid expenses and other assets	91,404

TOTAL CURRENT ASSETS 37,681,350

NONCURRENT ASSETS

Right of use assets, net	14,882,244
Property and equipment, net	222,907,751

TOTAL NONCURRENT ASSETS 237,789,995

TOTAL ASSETS \$ 275,471,345

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 1,335,842
Accrued payroll and other expenses	4,296,902
Unearned revenues	616,440
Current portion of bonds and loans payable	3,590,476
Line of credit	3,500,000
Current portion of finance lease liability	455,642

TOTAL CURRENT LIABILITIES 13,795,302

NONCURRENT LIABILITIES

Finance lease liability, net of current portion	14,736,252
Long-term debt, net of current portion and unamortized costs	247,722,906

TOTAL NONCURRENT LIABILITIES 262,459,158

TOTAL LIABILITIES 276,254,460

NET ASSETS

Without donor restrictions	(785,511)
With donor restrictions	2,396

TOTAL NET ASSETS (783,115)

TOTAL LIABILITIES AND NET ASSETS \$ 275,471,345

AMERICAN LEADERSHIP ACADEMY, INC
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Equalization and state funding	\$ 83,959,201	\$ -	\$ 83,959,201
Federal grants	7,193,750	-	7,193,750
Food service revenue	1,915,753	-	1,915,753
School activities revenue	479,890	-	479,890
School sales and events revenue	854,837	-	854,837
Contributions and grants	300,591	52,208	352,799
Preschool tuition and miscellaneous income	903,058	-	903,058
Release from restrictions	49,812	(49,812)	-
TOTAL SUPPORT AND REVENUE	95,656,892	2,396	95,659,288
EXPENSES			
Program expenses			
Instruction and operations	44,583,299	-	44,583,299
Interest and bond issuance costs and premium interest, net	13,550,166	-	13,550,166
Other program related expenses	20,101,816	-	20,101,816
Professional fees	2,795,114	-	2,795,114
Supporting services			
Administrative operations	2,893,611	-	2,893,611
Office supplies and other	12,839,974	-	12,839,974
TOTAL EXPENSES	96,763,979	-	96,763,979
CHANGE IN NET ASSETS	(1,107,087)	2,396	(1,104,691)
NET ASSETS, BEGINNING OF YEAR	321,576	-	321,576
NET ASSETS, END OF YEAR	\$ (785,511)	\$ 2,396	\$ (783,115)

See accompanying notes.

AMERICAN LEADERSHIP ACADEMY, INC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Expense	Management and General	Total
Personnel costs			
Salaries and wages	\$ 38,623,960	\$ 2,032,840	\$ 40,656,800
Employee benefits and payroll taxes	<u>4,877,705</u>	<u>860,771</u>	<u>5,738,476</u>
Total personnel costs	<u>43,501,665</u>	<u>2,893,611</u>	<u>46,395,276</u>
Advertising	272,730	-	272,730
Amortization - right to use assets	1,081,634	-	1,081,634
Bond issuance costs and premium interest, net	163,063	-	163,063
Depreciation	7,800,650	-	7,800,650
Facilities	2,623,704	138,090	2,761,794
Food service	3,239,650	-	3,239,650
Insurance	467,304	-	467,304
Interest	13,387,103	-	13,387,103
Loss on disposal of assets	4,630	-	4,630
Miscellaneous and other expenses	1,177,699	392,566	1,570,265
Professional fees	2,795,114	11,180,455	13,975,569
Supplies	<u>4,515,449</u>	<u>1,128,862</u>	<u>5,644,311</u>
Total functional expenses	<u>\$ 81,030,394</u>	<u>\$ 15,733,585</u>	<u>\$ 96,763,979</u>

See accompanying notes.

AMERICAN LEADERSHIP ACADEMY, INC
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (1,104,691)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	7,800,650
Amortization - right to use assets	1,081,634
Bond issuance costs and premium interest, net	163,063
(Gain) loss on disposal of property and right of use assets	(9,555)
Decrease (increase) in:	
Accounts receivable	250,043
Due from governments	53,169
Other receivables	723,142
Prepaid expenses and other assets	297,492
Increase (decrease) in:	
Accounts payable	525,196
Accrued payroll and other expenses	220,040
Unearned revenue	616,440
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>10,616,623</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of assets	23,777
Purchases of property and equipment	<u>(7,802,535)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(7,778,758)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Borrowings from line of credit	6,000,000
Payment to line of credit	(5,000,000)
Payments on financing lease liabilities	(649,247)
Bond and note proceeds	3,324,798
Payments on bonds and notes payable	<u>(3,798,552)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(123,001)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,714,864
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>33,862,606</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 36,577,470</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Cash and cash equivalents	\$ 14,733,679
Restricted cash and cash equivalents	<u>21,843,791</u>
Total cash and cash equivalents	<u><u>\$ 36,577,470</u></u>
SUPPLEMENTAL INFORMATION	
Cash paid for interest	<u>\$ 13,387,103</u>

See accompanying notes.

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

American Leadership Academy, Inc. (the School) is an Arizona not-for-profit corporation organized in 2009 to establish and operate a charter school which offers a strong academic foundation focusing on personal achievement and mastery; a recognition and appreciation for America's freedoms, history, and world contributions; and reverence for life cultivated through exposure to science, arts, service, and agriculture. The School operates under a Charter Contract with the Arizona State Board of Education which mandates policy and operational guidelines. During the year ended June 30, 2021, the School provided educational services to students in the kindergarten through twelfth grades in Florence, Gilbert, San Tan Valley, Mesa, and Queen Creek, Arizona and was funded primarily through state equalization assistance. Additionally, the school operates a pre-school program that is not funded by the state.

Basis of Presentation and Net Assets

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

The School reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions includes net assets available for use in general operations and not subject to donor or grantor restrictions. Net assets with donor restrictions represents net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the School considers all investments with an original maturity of three months or less at date of acquisition to be cash equivalents.

Accounts Receivable and Due from Governments

Accounts receivables consist of amounts due for services performed for other schools and are stated at the amount management expects to collect under the terms of the service contracts and agreements. Accounts receivable are carried at the outstanding balances less an allowance for doubtful accounts, if applicable. Management evaluates the collectability of its accounts receivable based on a combination of factors, including an assessment of the current status of individual contracts.

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Accounts Receivable and Due from Governments (Continued)

The School recognizes income from services performed for other schools and from funds provided by the State of Arizona in connection with its charter agreements. Due to the concentrated nature of the School's income sources and historical collectability trends, the School does not provide an allowance for account receivable.

Due from governments consists of amounts due from funds provided by the State of Arizona and federal government and are stated at the amount management expects to collect under the terms of the grant agreements. Due to the concentrated nature of the School's income sources and historical collectability trends, the School does not provide an allowance for grants receivable.

Property and Equipment

Acquisitions of property and equipment with a cost of \$3,000 or more and an estimated life of one year or more are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at date of donation. Depreciation of vehicles, furniture and equipment is calculated on a straight-line basis over the estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Impairment of Long-Lived Assets

The School reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Right of use asset and lease liability

The School recognizes right of use assets and lease liabilities for substantially all leases. The School recognizes assets and liabilities for operating and finance leases with terms of more than 12 months. An arrangement is deemed a finance lease if it effectively represents an installment purchase by the School subject to the criteria outlined in FASB ASC 842.

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Debt Issuance Costs

Costs associated with obtaining long-term debt financing have been capitalized and are amortized on a straight-line basis over the repayment term of the related debt with amortized costs included as bond issuance costs and premium interest expense. Debt issuance costs are presented net of accumulated amortization and are included with long-term debt on the statement of financial position.

Revenue Recognition

The School recognizes revenue in accordance with Account Standards Codification (ASC) Topic 606. State equalization funds, federal grants (including federal food service revenue), and state grants are determined to be contributions and therefore not subject to ASC Topic 606.

Proposition 123 funding (in 2016) and Classroom Site funds (Proposition 301 in 2000), which are included in equalization and state funding on the statement of activities, originated from approvals by local voters to increase certain taxes to provide this funding to schools. Because this funding is involuntary it does not meet the definition of a contribution and is an exchange transaction, subject to ASC Topic 606. This funding is generally received in monthly payments from the Arizona Department of Education and is based on a dollar amount per student and relates only to the school year that occurs within the fiscal year of the School. The School satisfies its performance obligation by providing education to the students throughout the school year and recognizes the revenue as the education is provided over the period of the school year. No amounts are received in advance by the funding source, which is the Arizona Department of Education.

Contributions

Contributions and grants are received and recorded as either support with donor restrictions or as support without donor restrictions depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the School reports the support as net assets without donor restrictions.

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Donated Services and Materials

Donated materials are recorded at their estimated fair value in the period received. Donated services are recorded at fair value if they create or enhance the School's nonfinancial assets or require specialized skills that the School would normally purchase if not provided by donation. No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under the generally accepted accounting principle guidelines; however, a substantial number of volunteers (primarily parents of attending students) have donated significant amounts of their time to the School's program services.

Functional Expenses

All expenses directly associated with the operation of school campuses, including transportation, food service and salaries of on-site administrators, are considered to be program expenses. Salaries for central services and operation of maintenance of plant operations as defined by the USFRCS are allocated to general and administrative expenses. All other administrative expenses functions are covered by the school's charter management organization (Charter One) and are included in professional services and allocated to management and general expenses.

Depreciation and interest expense are related to the school campuses and as a result the entire amount is allocated to program expenses. All general and administrative expense functions for the school are handled by Charter One and therefore the costs associated with the Charter One facility is not included as expenses on the School's statements. Additionally, all other facility expenses are included in program and include utilities, cleaning services, repairs and maintenance. Supplies and other expenses are allocated based on functions similar to salaries. Supplies and other expenses that fall within functions of central services and operation of maintenance of plant operations are allocated to management and general expenses.

Income Tax Status

American Leadership Academy, Inc qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code), and accordingly, there is no provision for corporate income taxes in the accompanying financial statements. In addition, the School qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Income Tax Status (Continued)

The School follows accounting standards for uncertainty in income taxes, which require that tax positions initially need to be recognized in the financial statements when it is more likely-than-not that the positions will not be sustained upon examination by the tax authorities. As of June 30, 2021, the School had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The School recognizes interest and penalties associated with income tax in operating expenses. During the year ended June 30, 2021, the School did not have any income tax related interest and penalty expense.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Date of Management's Review

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through October 18, 2021, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The School regularly monitors liquidity required to meet its operating needs and other contractual commitments. Sources of liquidity include cash and cash equivalents and a line of credit. See Note 8 for information about the School's line of credit. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the School considers all expenditures related to its ongoing activities, including both program and administrative expenses. In addition to financial assets available to meet general expenditures over the next 12-months, the School operates within a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the School's cash and shows positive cash generated by operations. The School has a requirement to maintain a minimum of 45 days cash on hand as of the end of the fiscal year.

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 2 LIQUIDITY AND AVAILABILITY (Continued)

As of June 30, 2021, the following table shows the total financial assets held by the School and the amounts of those financial assets that could be readily available within one year of the statement of financial position date to meet general expenditures.

	Financial Assets	Available within the next year
Cash	\$ 14,733,679	\$ 14,733,679
Cash restricted for bond and state funding:		
Cash with trustee - taxes and insurance	30,975	-
Cash with trustee - debt reserve fund	18,908,981	-
Cash with trustee - bond reserve fund	1,293,053	1,293,053
Cash with trustee - repair and replacement fund	177,550	-
Cash with trustee - bond, revenue, expense fund	63,451	-
State Restricted funding -		
CSF and Instructional Improvement	1,369,781	1,369,781
Accounts receivable	14,758	14,758
Due from governments	997,718	997,718
	<u>\$ 37,589,946</u>	<u>\$ 18,408,989</u>

NOTE 3 CONCENTRATION OF CREDIT RISK

Financial instruments that subject the School to potential concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, and due from governments. The School maintains its cash in bank accounts with financial institutions which at times may exceed federally insured limits. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Receivables from the State of Arizona represent approximately 98% of the total receivables.

Of the School's revenue for the year ended June 30, 2021, approximately 95% was derived from funds passed through or provided by the Arizona Department of Education. Collection from the state is reasonably assured, provided that the School complies with contract terms stipulated in its contract with the Arizona State Board for Charter Schools. Changes in state funding levels for charter schools could have a significant impact on the School's ability to operate.

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 4 RESTRICTED CASH AND BOND RESERVES

Restricted cash and bond reserves at June 30, 2021 consists of:

Classroom site funds and instructional improvement	\$ 1,369,781
Taxes and insurance reserve fund	30,975
Debt reserve fund	18,908,981
Bond reserve fund	1,293,053
Repair and replacement fund	177,550
Bond, revenue, expense fund	63,451
	<hr/>
	\$ 22,018,628

Classroom site funds are carryforward balances of monies received for teacher compensation increases, performance-based bonuses and other employment related costs. These funds are received and restricted by the state of Arizona under Proposition 301.

On December 1, 2015, December 1, 2017, and October 31, 2019, the School entered into loan and note agreements under which the issuer of the agreements sold registered bonds to investors. Certain proceeds of funds issued to the School in conjunction with the agreements are held by the trustee under two indenture of trust agreements but are considered assets of the School. Bond assets are administered by the current trustee, UMB Bank, National Association, are reported as restricted cash, and consist of the following accounts:

Debt Service Reserve Funds

The opening balances of the debt service reserve funds were set up by the original bond trustee to make note payments when monies in the bond fund are insufficient to make the required semi-annual payments. Such payments are made by the trustee in order to continue to service the bond. The fund is not immediately available to the School. Any remaining balance will be repaid when the bonds mature in June 2045 and June 2052.

Bond Reserve Fund

The bond reserve funds were initially setup for Series 2012 and 2015. As part of the Series 2019 indenture this fund is used for any additional accrued interest, to pay capitalized interest, disbursement from revenue funds and all other monies received by the Trustee. There was no required balance as of the issuance of Series 2019 Bonds. If necessary, and upon the request of the School, portions of the funds may be transferred to the bond fund for payment of principal, premium, and interest or for disbursement to the School.

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 4 RESTRICTED CASH AND BOND RESERVES (Continued)

Repair and Replacement fund

The School is required to make payments equal to the Repair and Replacement Fund monthly deposit for deposit on each scheduled monthly payment date to the Repair and Replacement Fund until amounts on deposit in the Repair and Replacement Fund equal the Repair and Replacement Fund requirement. Amounts on deposit in the Repair and Replacement fund may be used for the purpose of paying the cost of extraordinary maintenance and replacements which may be required to keep the Pledged Facilities in sound condition, including but not limited to, replacement of equipment, replacement of any roof or other structural component, exterior painting and the replacement of heating, air conditioning, plumbing and electrical equipment. Monies in the Repair and Replacement Fund may be used for the payment of the principal of, premium, if any, and interest on the Series 2015, 2017 and 2019 Bonds in the event monies in the Bond Fund and the subaccount of the Debt Service Reserve Fund related to the Series 2015, 2017, and 2019 Bonds are insufficient.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 consist of:

Land	\$ 50,624,222
Curriculum	5,004,820
Leasehold improvements	2,537,942
Buildings and improvements	179,684,693
Furniture and equipment	14,723,200
	<hr/>
	252,574,877
Accumulated depreciation	(30,051,949)
	<hr/>
	222,522,928
Construction in process	384,823
	<hr/>
Net property and equipment	<u><u>\$ 222,907,751</u></u>

Depreciation expense was \$7,800,650 for the year ended June 30, 2021.

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 6 RIGHT OF USE ASSETS

Right of use assets represents the School's right to use an underlying asset for the lease term at June 30, 2021 consist of:

Right to use asset - facilities	\$ 15,424,857
Right to use asset - equipment	<u>1,264,010</u>
	16,688,867
Accumulated amortization	<u>(1,806,623)</u>
Net book value of the assets	<u><u>\$ 14,882,244</u></u>

Amortization expense was \$1,081,634 for the year ended June 30, 2021. See note 10 for related finance lease liability.

NOTE 7 UNEARNED REVENUE

Grant funding that is provided in advance and not fully expended is recognized as unearned revenue. This funding will be recognized as earned when corresponding services have been rendered. In the current year, the only advanced funding was received through the Enrollment Stabilization Grant (ESG) related to CARES funding for schools. The total amount received was not spent as of year-end. The remaining balance is unearned for a total of \$616,440 as of June 30, 2021.

NOTE 8 LINE OF CREDIT

The School maintains a \$3,500,000 bank line of credit dated March 10, 2021. The line has a two-year term which matures February 24, 2023. Interest is calculated at a rate of 0.5 percentage points over the National Prime Rate with a floor of 4.75% (4.75% at June 30, 2021), and is payable monthly. At June 30, 2021, the full \$3,500,000 was outstanding on this line. The line of credit is secured by all assets of the School.

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 9 LONG-TERM DEBT

Long-term debt at June 30, 2021 consists of the following:

Description	Interest Rate	Maturity	Outstanding Principal June 30, 2021
Series 2015 Bonds Payable	4.600 - 5.625%	6/15/2045	\$ 22,715,000
Series 2017 Bonds Payable	4.00 - 5.00%	6/15/2052	188,940,000
Series 2019 Bonds Payable	4.00 - 5.00%	6/15/2052	39,225,000
First International Loan	5.25%	4/28/2025	167,952
CLI Capital Loan	5.50%	6/1/2026	3,324,797
GM Financial Auto Loan	7.95%	7/31/2023	15,685
GM Financial Auto Loan	7.95%	7/31/2023	14,801
GM Financial Auto Loan	7.95%	7/31/2023	13,946
GM Financial Auto Loan	7.95%	7/31/2023	14,801
GM Financial Auto Loan	6.84%	11/30/2023	12,026
Wells Fargo Auto Loan	6.79%	4/30/2023	8,194
Wells Fargo Auto Loan	6.79%	4/30/2023	8,195
First International Loan	5.25%	9/28/2024	1,723,641
Wells Fargo Auto Loan	7.99%	9/30/2024	17,422
Total long-term debt			256,201,460
Net debt issuance costs			(6,944,133)
Net premium			2,056,055
Long-term debt, net of debt issuance costs			251,313,382
Current maturities			(3,590,476)
Long-term debt, net of current portion and debt issuance costs			<u>\$ 247,722,906</u>

Annual maturities of long-term debt outstanding after June 30, 2021, are as follows:

<u>Years Ending June 30,</u>	
2022	\$ 3,590,476
2023	3,933,723
2024	4,296,312
2025	4,111,354
2026	6,894,595
Thereafter	233,375,000
Total annual maturities	<u>\$ 256,201,460</u>

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 9 LONG-TERM DEBT (Continued)

The terms of the bonds and loans payable agreements are as follows:

Series 2015, 2017, and 2019

On December 17, 2015, the School finalized a loan agreement, dated December 1, 2015, with the Industrial Development Authority of Pima County ("Pima IDA"). Concurrent with the loan agreement, Pima IDA issued "Series 2015" Educational Facility Revenue bonds. The bonds have an original principal amount of \$24,890,000 and mature June 15, 2045. The interest on the bonds is between 4.600% and 5.625%. The bonds were issued to refund the Series 2012 bonds as well as fund multiple capital projects.

On December 14, 2017, the School finalized a loan agreement, dated December 1, 2017, with Pima IDA. Concurrent with the loan agreement, Pima IDA issued "Series 2017" Educational Facility Revenue bonds. The bonds have an original principal amount of \$192,290,000 and mature June 15, 2052. The interest on the bonds is between 4.000% and 5.000%. The bonds were issued to fund capital projects.

On October 22, 2019, the School finalized a loan agreement, dated October 1, 2019, with Pima IDA. Concurrent with the loan agreement, Pima IDA issued "Series 2019" Educational Facility Revenue bonds. The bonds have an original principal amount of \$40,475,000 and mature June 15, 2052. The interest on the bonds is between 4.000% and 5.000%. The bonds were issued to fund multiple capital projects, refinance previous note and lease obligations for various school campus facilities and land for \$14,115,032.

UMB Bank maintains several cash and short-term investment accounts as the bond trustee. Under the terms of the loan agreement, the School is required to irrevocably pledge substantially all its revenues toward payment of its debt obligations through the various accounts held in trust. Remaining monies are then transferred monthly to operating accounts once certain debt provisions are met. The amounts held by the trustee are reported as restricted cash for financial statement presentation.

Principal and interest payments are withheld monthly by the trustee from the state equalization payment. Principal is disbursed annually and interest semi-annually from the trustee to pay the bond holders. The note is secured by the assets and continuing revenues of the School. In addition to making consistent payments toward interest and principal due, the School has agreed to comply with all charter school laws, maintain appropriate title and liability insurance, and submit to an annual financial statement audit. If the School were to default materially on its loan obligations, the promissory note would be immediately due and payable.

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 9 LONG-TERM DEBT (Continued)

Series 2015, 2017, and 2019 (Continued)

The School is required to maintain a minimum debt service coverage ratio of 1.15 with respect to its Series 2015, 2017, and 2019 bond obligations. If the debt service coverage ratio is less than 1.15, the school is required to obtain a consultant to submit a written report and make recommendations with respect to revenues or other matters of the borrower which are relevant to increasing the debt service coverage ratio to at least 1.15. A failure to maintain a debt service coverage ratio of at least 1.00 shall constitute an event of default.

The School is required to maintain a minimum amount of cash on hand. The minimum cash on hand requirement for the fiscal year ended June 30, 2021 and all fiscal years thereafter is 45 days of cash. Failure to maintain more than 15 days less than the days cash on hand requirement constitutes an event of default. If the School were to default materially on its obligations, the notes would be immediately due and payable. The School is in compliance with this requirement; see other supplementary information.

Loans and Notes Payable

The School financed the purchase of numerous vehicles with loans payable. The loans are payable in monthly installments, including interest, ranging from \$407 to \$883 with maturities ranging from April 2023 to September 2024. The loans are collateralized with the vehicles purchased with proceeds from the loans.

Commencing on April 2, 2018, the School issued a promissory note with First International Bank & Trust in the amount of \$281,998 to purchase school buses. The note is payable in monthly installments of \$4,044, including interest at 5.250%, maturing April 28, 2025. The note is collateralized by various vehicles owned by the School.

Commencing on September 28, 2017, the School issued a promissory note with First International Bank & Trust in the amount of \$3,394,840 for curriculum and buses. The note is payable in monthly installments of \$48,501, including interest at 5.250%, maturing September 28, 2024. The note is collateralized by the buses and curriculum owned by the School.

Commencing on June 11, 2021, the School issued a loan agreement with CLI Capital, in the amount of \$20,000,000 for the purchase of land and construction for a new school. The School is drawing down on the loan balance as construction progresses. The balance of the loan as of June 30, 2021 is \$3,324,797. The loan is payable in monthly principal and interest payments beginning September 1, 2022 calculated on a 30-year amortization schedule based on the outstanding principal balance of the loan on August 31, 2022. On June 1, 2026, the entire balance of principal and accrued interest is payable in full. The note is collateralized by the land purchased and building constructed with the proceeds.

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 10 FINANCE LEASES

Facility Leases

The School conducts its schooling operations from campus facilities, some of which are leased under lease agreements which expire on various dates through December 2038. These agreements have been entered into with Schoolhouse Hawes, LLC for the use of a Fieldhouse and a cafeteria building, both of which are a part of the Queen Creek campus facilities and have been determined to be finance leases. A former board member (through June 2017) of American Leadership Academy, Inc. is a member of Schoolhouse Hawes, LLC. The payments include rent escalation clauses with combined monthly payments ranging from \$85,527 to \$130,141. The discount rate used to calculate the lease liability is based on the implicit rate of the underlying lease with a weighted average discount rate of 5%. The total lease interest expense of the facility finance leases was \$732,605 and the principal payments were \$293,719 for the year ended June 30, 2021.

Equipment Lease

The School is leasing equipment under a five-year noncancelable lease which expire March 2026. These agreements have been determined to be finance leases. The payments, depending on the agreement are monthly fixed installments of \$13,824. The discount rate used to calculate the lease liability an implicit rate of the underlying lease with a weighted average discount rate of 5%. The total lease interest expense of the equipment finance leases was approximately \$30,703 and principal payments were \$355,528 for the year ended June 30, 2021.

The following is a schedule of future minimum lease payments required under both the above finance leases and a reconciliation to the finance lease liability as of June 30, 2021:

Year Ending June 30,	Amount
2022	\$ 1,205,049
2023	1,231,035
2024	1,257,663
2025	1,284,957
2026	1,271,462
Thereafter	17,001,699
Total payments	23,251,865
Less: present value discount	(8,059,971)
Total	15,191,894
Less: current portion	(455,642)
Long-term portion of lease liability	\$ 14,736,252

The weighted average remaining lease term is 17.61 years.

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 11 RETIREMENT PLAN

Plan Description and Funding Policy – ASRS

The School has chosen to participate in the Arizona State Retirement System. The Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefits pension plan that covers general employees of the School. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. There was a total of four employees throughout the year that were part of ASRS. As of June 30, 2021, there was only one active employee.

The Arizona State Legislature establishes and may amend active plan members' and the School's contribution rates. For the year ended June 30, 2021, there was one active ASRS member required by statute to contribute at the actuarially determined rate of 12.22% (12.04% for retirement and 0.18% for long-term disability) of the member's annual covered payroll and the School was required by statute to contribute at the actuarially determined rate of 12.22% (11.65% for retirement, 0.39% for health insurance premium, and 0.18% for long-term disability) of the members' annual covered payroll. The School's contributions to ASRS were not material for disclosure in the current year.

Plan Description and Funding Policy - 401K Plan

The School established a 401(k) plan that covers all employees. Employees may contribute up to 100% of compensation not to exceed \$19,500 in 2020 and 2021, not including catch-up contributions. The School may make a discretionary matching contribution to all employees with one year of service completed, which is determined annually by the board of directors. During the year ended June 30, 2021, the School made matching contributions of \$615,483.

NOTE 12 CONTINGENCIES

Compliance

The School's compliance with certain laws and regulations is subject to review by its sponsor. Such reviews could result in an adjustment of state equalization assistance.

Litigation

The School is contingently liable for claims and judgments resulting from lawsuits incidental to normal operations. In the opinion of the School's management, adverse decisions that might result, to the extent not covered by insurance, would not have a material effect on the financial statements. No provision has been made in the financial statements for possible losses of this nature.

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE 13 TRANSACTIONS WITH FORMER BOARD MEMBERS AND MANAGEMENT SERVICES

ALA Management Services, Inc. is a non-profit corporation that provides leased employees related to the on-site operation of charter schools such as teachers, principals and coaches. On August 1, 2011, the School entered into an agreement to provide leased employees from ALA Management Services, Inc. A former board member and founder of American Leadership Academy, Inc. is a member of ALA Management Services, Inc.'s board of directors. The terms of the service agreement were determined by the School's board of directors to be reasonable and more favorable to the School than other alternatives as ALA Management Services, Inc. only charges the School actual costs without any mark-up, thereby providing a significant benefit to the School when compared to other similar service providers. Total personnel costs as of June 30, 2021, including taxes and benefits, was \$46,395,276.

The School contracts with Charter One, LLC ("Charter One") for administrative support and other services pursuant to an Administrative Services Agreement entered into on July 1, 2020. The contract is effective for five years after its date. Charter One is an Arizona limited liability company and its members include the former board member and founder of the School noted above, as well as the former Chief Marketing Officer (CMO) of the School, and the former Chief Executive Officer (CEO) of the School. Under the agreement, Charter One provides services to the School including development services, operational services, academic services, financial services, and human resource services.

Pursuant to the agreement with Charter One, the School pays a 10% fee based on total annual gross revenue and a performance bonus for each student is enrolled at an ALA campus that has achieved an "A" or "B" letter grade from the Arizona Department of Education. Under the terms of the agreement, the School incurred a total fee of \$10,571,275 for management services as of June 30, 2021. There is a separate agreement for grant management in the amount of \$120,000 per year.

Western States, LLC provided the School with air conditioning system maintenance and repair services in the amount of \$399,131 during the year ended June 30, 2021. A former board member of the School is a member of this LLC. Way Construction Development, LLC provides construction and building services to the School at a discounted rate for building renovations. This company is owned, in part, by a former board member and founder of the School. The School paid a total of \$1,691,038 to Way Construction Development, LLC during the year ended June 30, 2021. Additionally, C1 Apparel, LLC is owned and operated by the son of the co-owner of Charter One. The business provides athletic uniforms and clothing apparel for the School's students. During the year ended June 30, 2021, the School paid \$184,955.

OTHER SUPPLEMENTARY INFORMATION

AMERICAN LEADERSHIP ACADEMY, INC
DEBT SERVICE COVERAGE RATIO
YEAR ENDED JUNE 30, 2021

The School has calculated a debt service coverage ratio and a days cash on hand calculation for all School debt and operations. The calculations are as follows for the year ended June 30, 2021:

Debt Service Coverage Ratio

Total pledged revenues	\$ 95,659,288
Operating Expenses:	
Expenses, all school operations	\$ 96,763,979
Less depreciation and amortization	(8,882,284)
Less interest - bond debt and other	(13,550,166)
Less expense - loss on disposal	(4,630)
Total operating expenses	\$ 74,326,899
Income available for debt service	
Total pledged revenues	\$ 95,659,288
Less operating expenses	(74,326,899)
Net income available for debt service	21,332,389
Divided by: debt service	17,490,089
Debt service coverage ratio	1.22

Days Cash on Hand Cash

Cash - unrestricted	\$ 14,908,516
Operating expense and interest	87,881,695
Average Daily expense	240,772
Days Cash on hand	62

COMPLIANCE SECTION

INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

Board of Directors
American Leadership Academy, Inc
Mesa, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of financial position of American Leadership Academy, Inc (a nonprofit corporation)(the School), as of and for the year ended June 30, 2021, statement of activities, schedule of functional expense, cash flows and the related notes to the financial statements, which collectively comprise American Leadership Academy, Inc's basic financial statements for the year then ended, and have issued our report thereon dated October 18, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered American Leadership Academy, Inc's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of American Leadership Academy, Inc's internal control. Accordingly, we do not express an opinion on the effectiveness of American Leadership Academy, Inc's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Leadership Academy, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henry + Horne, LLP

Tempe, Arizona
October 18, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
American Leadership Academy, Inc
Mesa, Arizona

Report on Compliance for Each Major Federal Program

We have audited American Leadership Academy, Inc's (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of American Leadership Academy, Inc's major federal programs for the year ended June 30, 2021. American Leadership Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of American Leadership Academy, Inc's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about American Leadership Academy, Inc's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of American Leadership Academy, Inc's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the American Leadership Academy, Inc is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered American Leadership Academy, Inc's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of American Leadership Academy, Inc's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Henry + Horne, LLP

Tempe, Arizona
October 18, 2021

AMERICAN LEADERSHIP ACADEMY, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal AL Number	Cluster Title	Pass-Through Grantor	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture					
Nutrition Cluster					
National School lunch Program	10.555	Nutrition Cluster	Arizona Department of Education	N/A	\$ 13,519
Summer Food Service Program for Children	10.553	Nutrition Cluster	Arizona Department of Education	N/A	1,766,573
Total Nutrition Cluster					1,780,092 *
Total U.S. Department of Agriculture					1,780,092
U.S. Department of Treasury					
COVID-19 - Coronavirus Relief Fund	21.019		Arizona Department of Education	N/A	824,360 *
Total U.S. Department of Treasury					824,360
U.S. Department of Education					
Title I, Part A- Grants to Local Education Agencies	84.010		Arizona Department of Education	21FT1TTI-110319-01A	1,305,078
Title II-A Supporting Effective Instruction State Grants	84.367		Arizona Department of Education	21FT1TTII-110319-03A	115,427
Title III- English Language Acquisition State Grant	84.365		Arizona Department of Education	21FELLEP-110319-10A	10,918
Title IV- Student Support & Academic Enrichment	84.424		Arizona Department of Education	21FT4TIV-110319-01A	107,719
CTE Federal Perkins	84.048		Arizona Department of Education	21FCTDBG-110319-08A	133,889
Charter Schools Program State Educational Agencies Grant	84.282A		Arizona Department of Education	21FCSP26-110319-01A	15,583
COVID-19 - Charter Elementary and Secondary School Emergency Relief	84.425D		Arizona Department of Education	20FESSER-010319-01A	1,399,833 *
Special Education Cluster					
Special Education- Grants to States (IDEA, Part B)	84.027	Special Education	Arizona Department of Education	20FESCBG-010319-09A	1,217,801
Special Education- Preschool Grants (IDEA Preschool)	84.173	Special Education	Arizona Department of Education	20FECCBP-010319-37A	8,631
Total Special Education Cluster					1,226,432
Total U.S. Department of Education					4,314,879

See accompanying notes to schedule of expenditures of federal awards

AMERICAN LEADERSHIP ACADEMY, INC
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal AL Number	Cluster Title	Pass-Through Grantor	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Health and Human Services					
477 Cluster					
COVID-19 - Child Care and Development Block Grant	93.575	477 Cluster		N/A	47,200
Total 477 Cluster					47,200
Medicaid Cluster					
Medical Assistance Program	93.778	Medicaid Cluster	Public Consulting Group, Inc.	N/A	125,219
Total Medicaid Cluster					125,219
Total U.S. Department of Health and Human Services					172,419
Total Expenditures of Federal Awards					<u>\$ 7,091,750</u>

* Denotes major program

AMERICAN LEADERSHIP ACADEMY, INC
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the American Leadership Academy, Inc under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of American Leadership Academy, Inc, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the American Leadership Academy, Inc.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B) The American Leadership Academy, Inc has not elected to use the 12 percent negotiated indirect cost rate as allowed under the Uniform Guidance.

AMERICAN LEADERSHIP ACADEMY, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ☐ ☒ none reported

Noncompliance material to the financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ☐ ☒ none reported

Type of auditors' report issued on compliance for each major program listed below

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

☐ yes ☒ no

Identification of major programs:

AL Numbers	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
21.019	Coronavirus Relief Funds
84.425D	Elementary and Secondary School Emergency Relief

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

AMERICAN LEADERSHIP ACADEMY, INC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

No findings noted

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

No findings noted